

LEGISLATIVE RESEARCH COMMISSION

FINANCIAL INSTITUTIONS ISSUES COMMITTEE



REPORT TO THE
1995 GENERAL ASSEMBLY
OF NORTH CAROLINA
1996 REGULAR SESSION

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TABLE OF CONTENTS

LETTER OF TRANSMITTAL..... i

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP.....ii

PREFACE..... 1

COMMITTEE PROCEEDINGS..... 2

FINDINGS AND RECOMMENDATIONS.....12

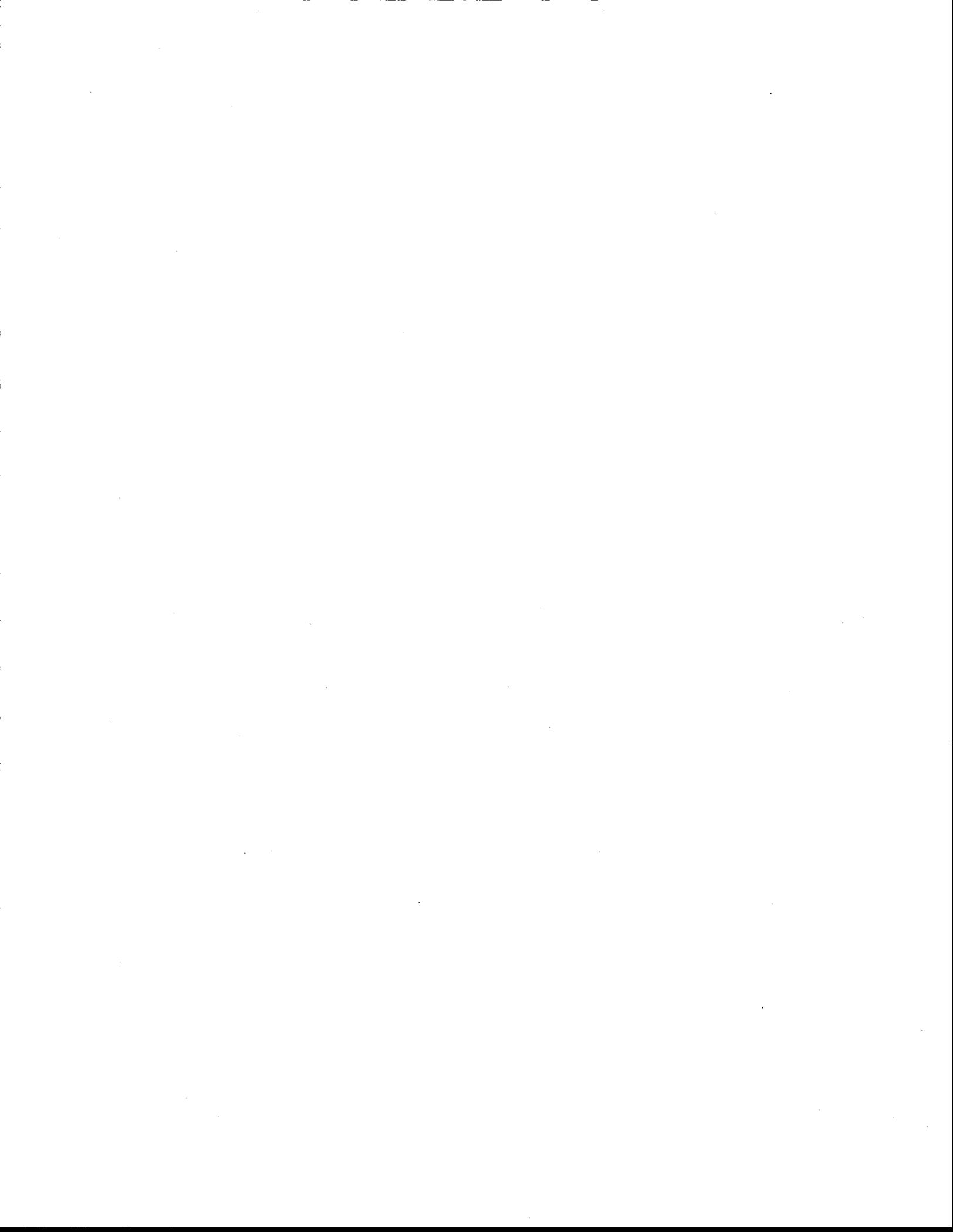
APPENDICES

APPENDIX A:
RELEVANT PORTIONS OF CHAPTER 542
OF THE 1995 SESSION LAWS, THE STUDIES BILL, AND HOUSE BILL 839, HOUSE BILL 847
AND SENATE BILL 876 OF THE 1995 SESSION..... 13

APPENDIX B:
MEMBERSHIP OF THE LRC COMMITTEE ON
FINANCIAL INSTITUTIONS ISSUES.....18

APPENDIX C:
LEGISLATIVE PROPOSAL I -- A BILL TO BE ENTITLED
**AN ACT TO IMPLEMENT A RECOMMENDATION OF THE LRC'S FINANCIAL
INSTITUTIONS ISSUES COMMITTEE TO AMEND THE NORTH CAROLINA RECIPROCAL
INTERSTATE BANKING ACT,**
AND A SECTION-BY-SECTION ANALYSIS OF THE BILL..... 19

APPENDIX D:
LEGISLATIVE PROPOSAL II -- A BILL TO BE ENTITLED
**AN ACT TO IMPLEMENT A RECOMMENDATION OF THE LRC'S FINANCIAL
INSTITUTIONS ISSUES COMMITTEE TO AUTHORIZE STATE CHARTERED BANKS,
SAVINGS AND LOAN ASSOCIATIONS, AND SAVINGS BANKS, TO OBSERVE HOLIDAYS
AS DETERMINED BY THEIR BOARDS OF DIRECTORS,**
AND A SECTION-BY-SECTION ANALYSIS OF THE BILL.....21



STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH, NC 27601



May 1, 1996

TO THE MEMBERS OF THE 1995 GENERAL ASSEMBLY (REGULAR SESSION 1996):

The Legislative Research Commission herewith submits to you for your consideration its interim report on Financial Institutions Issues. The report was prepared by the Legislative Research Commission's Committee on Financial Institutions Issues pursuant to G.S. 120-30.17(1).

Respectfully submitted,

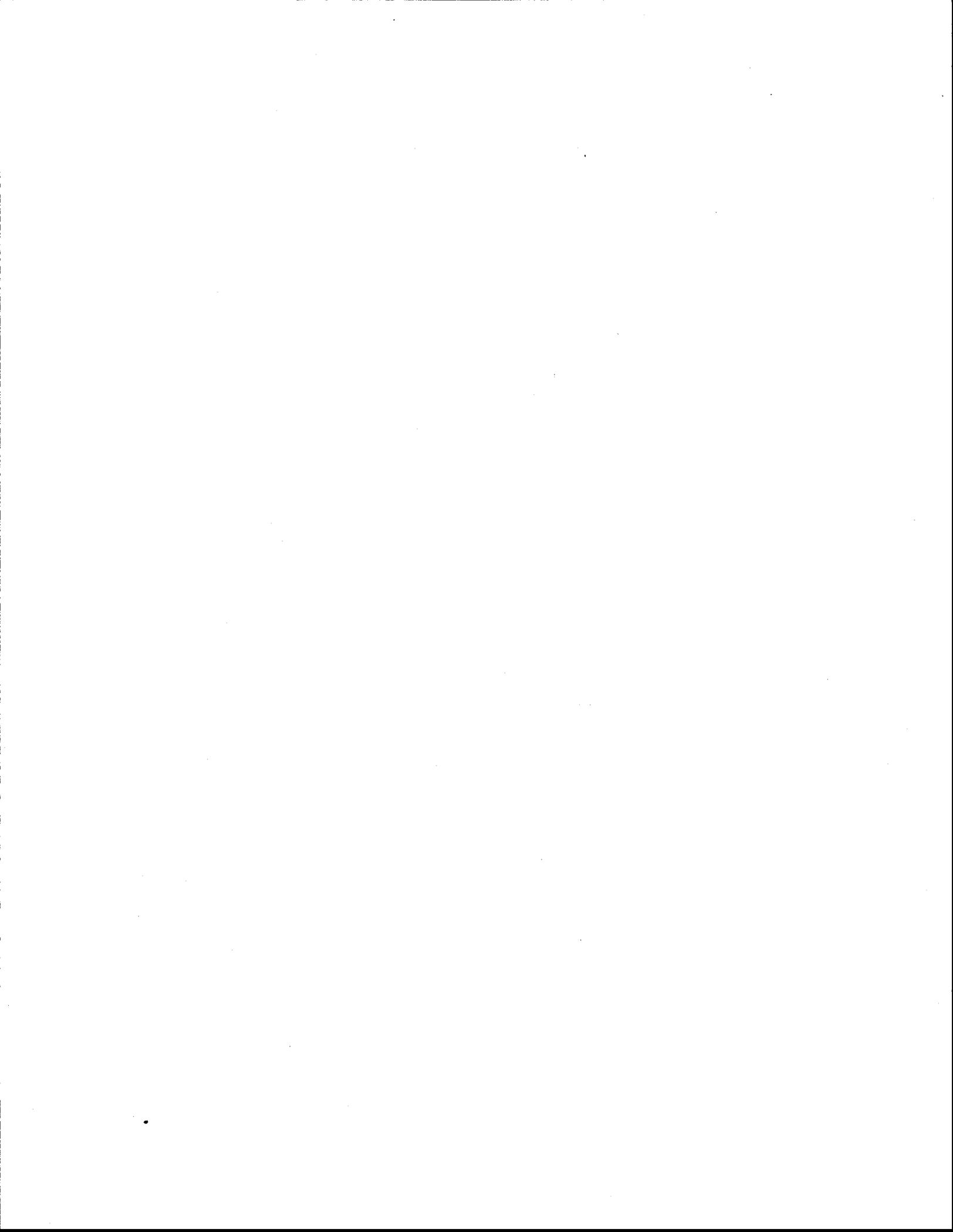
A handwritten signature in cursive script, appearing to read "Harold J. Brubaker".

Harold J. Brubaker
Speaker of the House

A handwritten signature in cursive script, appearing to read "Marc Basnight".

Marc Basnight
President Pro Tempore

Cochair
Legislative Research Commission



1995-1996

LEGISLATIVE RESEARCH COMMISSION

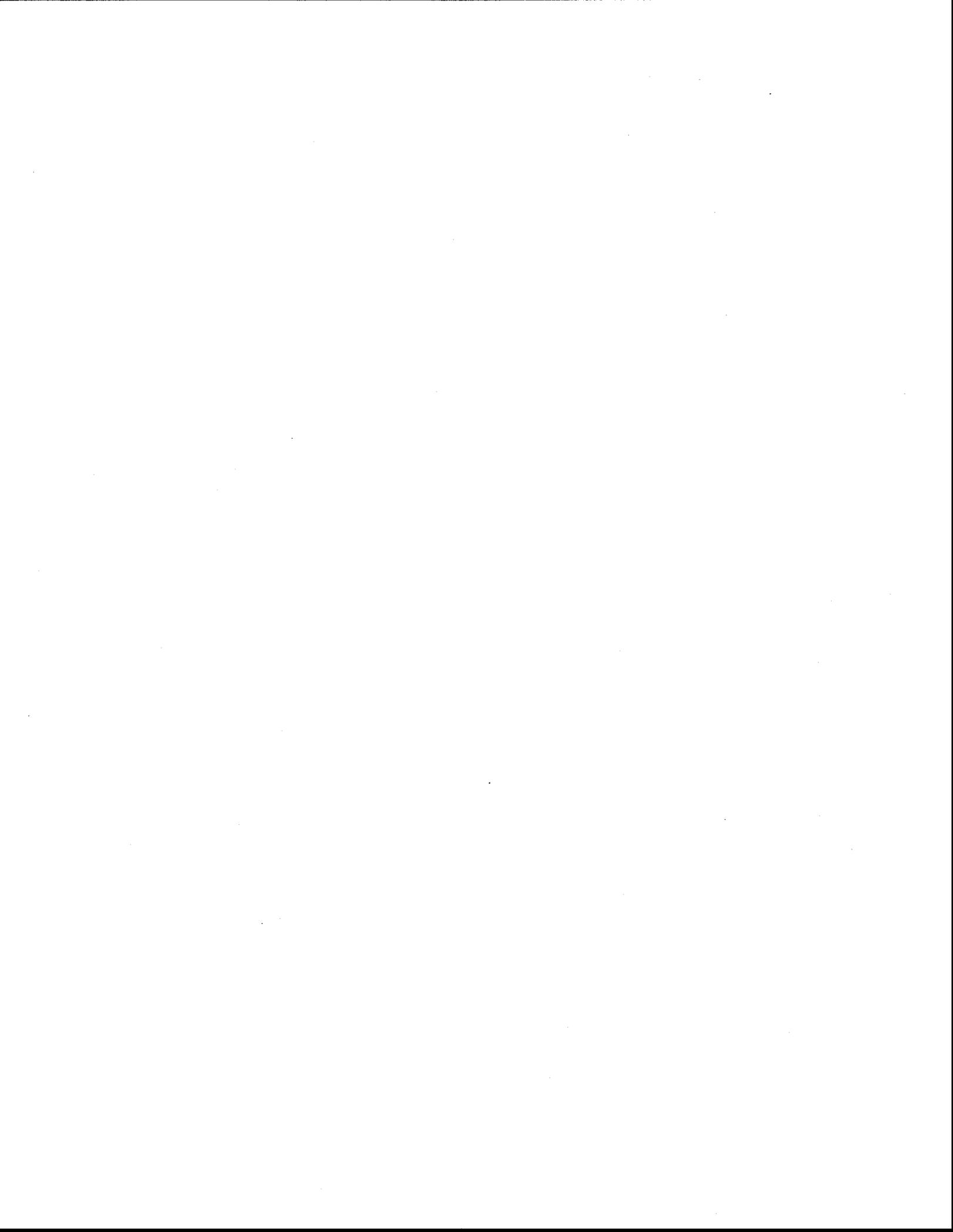
MEMBERSHIP

President Pro Tempore of
the Senate
Marc Basnight, Cochair

Senator Frank W. Ballance, Jr.
Senator R. L. Martin
Senator Henry McKoy
Senator J. K. Sherron, Jr.
Senator Ed N. Warren

Speaker of the House
of Representatives
Harold J. Brubaker, Cochair

Rep. Jerry C. Dockham
Rep. Larry Linney
Rep. Edd Nye
Rep. Gregory J. Thompson
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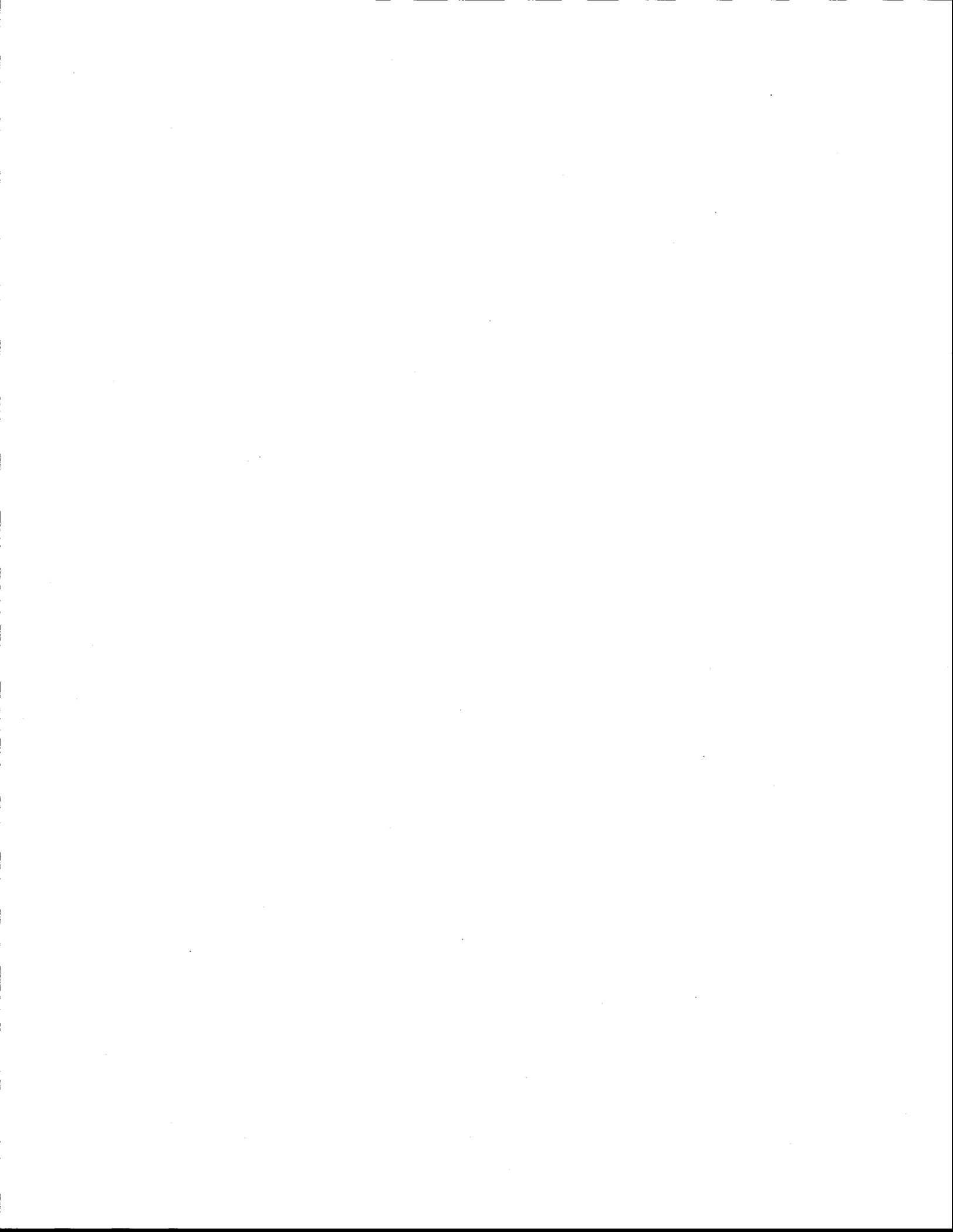


PREFACE

The Legislative Research Commission, established by Article 6B of Chapter 120 of the General Statutes, is the general purpose study group in the Legislative Branch of State Government. The Commission is cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

The Legislative Research Commission, prompted by actions during the 1995 Session, has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The Cochairs of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairs, one from each house of the General Assembly, were designated for each committee.

The study of financial institutions issues was authorized by Subsections (2) and (4) of Section 2.1 of Part II of Chapter 542 of the 1995 Session Laws. Part II of Chapter 542 allows for studies authorized by that Part for the Legislative Research Commission to consider Senate Bill 876 and House Bill 839 in determining the nature, scope and aspects of the study. Additionally, the Co-Chairs of the Legislative Research Commission authorized the Committee to consider House Bill 847, as authorized under G.S. 120-30.17(1). The relevant portions of Chapter 542, Senate Bill 876, House Bill 839, and House Bill 847 are included in Appendix A. The Legislative Research Commission authorized this study under authority of G.S. 120-30.17(1) and grouped this study in its Insurance Laws and Financial Institutions Grouping area under the direction of Representative Jerry C. Dockham. The Committee was chaired by Senator Ed N. Warren and Representative Timothy N. Tallent. The full membership of the Committee is listed in Appendix B of this report. A committee notebook containing the committee minutes and all information presented to the Committee is filed in the Legislative Library.



COMMITTEE PROCEEDINGS

The Legislative Research Commission's Financial Institutions Issues Committee met five times and a Subcommittee on Monument Contractor Licensing met once before the 1996 Regular Session of the 1995 General Assembly.

JANUARY 11, 1996 MEETING

The first meeting of the Committee took place on January 11, 1996. The Committee heard presentations by the heads of each of the three State financial institutions regulatory agencies on the background of their industry, and the structure and role of their agencies.

George T. (Ted) Mann, Administrator of the Credit Union Division of the North Carolina Department of Commerce, presented the Committee with background data on state chartered credit unions, the statutory framework for chartering and regulating credit unions under North Carolina law, and the structure of the regulatory agency, including the membership of the Credit Union Commission. Mr. Mann told the Committee that there were 206 credit unions in North Carolina with 1.7 million members, of which 132 credit unions with 956,000 members are state chartered and regulated by his office. The Credit Union Division currently has 15 employees, including nine examiners and one supervisory examiner, with annual expenses of approximately \$1 million. Mr. Mann explained that deposits in credit unions are insured by privately funded national credit insurance funds. He also explained that credit unions are required to be audited in addition to being examined by his office, but that the audits do not have to be by certified public accountants. His office has statutory authority under Chapter 54 of the General Statutes to examine and supervise every phase of the credit union's business.

Stephen E. Eubanks, Administrator of the Savings Institutions Division of the North Carolina Department of Commerce, presented the Committee with background data on state chartered savings institutions which include savings and loan associations and savings banks, the statutory framework for chartering and regulating savings institutions under North Carolina law, and the structure of the regulatory agency, including the membership of the Savings Institutions Commission. Mr. Eubanks told the Committee that his office regulates four savings and loan associations and 44 savings banks in North Carolina that are state chartered. The Savings Institutions Divisions currently has eight employees, including four examiners and one chief examiner, with annual expenses of approximately \$909,000. Mr. Eubanks explained that deposits in savings

institutions are insured by a division of the Federal Deposit Insurance Corporation (FDIC). They are regulated and examined by his Division, the Office of Thrift Supervision, and the FDIC. In response to a question concerning benefits which might arise from a consolidation of the state regulatory agencies of financial institutions, Mr. Eubanks pointed out that all the fees to fund the regulatory agencies come from fees paid by the regulated community, and any resulting savings would go to the institutions and not directly to the taxpayers.

Hal D. Lingerfelt, Commissioner of Banks, whose office is in the North Carolina Department of Commerce, presented the Committee with background data on state chartered banks, the statutory framework for chartering and regulating banks under North Carolina law, and the structure of the regulatory agency, including the membership of the State Banking Commission. Mr. Lingerfelt told the Committee that his office regulates 53 state chartered banks in North Carolina. His office also has regulatory or supervisory authority over 694 consumer finance offices, 814 refund anticipation loan offices, 1,640 mortgage bankers and brokers, 24 money transmitter licensees, six reverse mortgage lenders, and 25 trust licensees. The Banking Commissioner's Office has 71 employees, including 52 examiners, with annual expenses of approximately \$4.1 million. Mr. Lingerfelt explained that deposits in banks are insured by a division of the Federal Deposit Insurance Corporation (FDIC). State chartered banks are regulated and examined by his Division and three federal agencies: the Office of Comptroller of the Currency, the Federal Reserve System, and the FDIC. In response to a question concerning whether consolidation of the state regulatory agencies of financial institutions would result in increased costs to smaller institutions, Mr. Lingerfelt said that would depend on how the Legislature structured the fee arrangements. Currently each regulated industry pays the costs for its regulation, with some agencies charging on an hourly basis and other agencies charging a percentage of assets. As to the question of whether there would have to be different training for staff in a consolidated agency, Mr. Lingerfelt said he was not sure, but that examination of asset quality should be the same for all financial institutions.

L. McNeil Chestnut, Assistant Attorney General assigned to the State Banking Commission, discussed pending federal legislation that would affect financial institutions, including the possibility of expanding the types of businesses financial institutions can engage in, and the elimination of the federal thrift charters.

FEBRUARY 13, 1996 MEETING

The second meeting of the Committee took place on February 13, 1996. The Committee heard presentations by the heads of each of the three State financial institutions regulatory agencies on how their counterparts in other states are organized, heard a staff report on previous Legislative studies on financial institution regulatory consolidation, and a staff report on a recent regulatory consolidation implemented in Ohio.

Ted Mann, Administrator of the Credit Union Division, said information from the National Association of State Credit Union Supervisors shows that the type of regulatory consolidation may depend on one's perspective of a particular situation. While many states may have a single umbrella organization for financial institutions, the individual industries maybe regulated independently. Three states do not have credit unions. Twenty-nine states consider that their credit union departments are co-equal departments in larger regulatory offices. Twenty-three states say their credit union divisions are independent. One factor in distinguishing independence is whether a separate board exists for a particular industry. Mr. Mann explained the Credit Union Commission is a seven-member commission, appointed by the Governor, with four public members and three industry members. The Commission hears appeals from decisions of the Administrator, and sets examination and supervision fees.

Stephen Eubanks said in states with consolidated regulatory agencies where all industries cooperate, things can operate smoothly. He said the Savings Institutions Commission also had a seven-member board made up of four public and three industry representatives, and that this Commission serves a similar purpose for savings institutions that the Credit Union Commission does for credit unions. Mr. Eubanks explained the difference between a savings and loan and a savings bank as being primarily the difference in asset investments. Savings and loans are required to have 65% of their assets invested in real estate loans, while savings banks are required to have 60% of their assets invested in real estate loans.

Hal Lingerfelt said based on information he had obtained from the Conference of State Bank Supervisors, thirty-five states have consolidated supervision of state chartered financial institutions. In three states, the regulation of banks and credit unions are combined into one agency, while savings institutions are regulated by a separate agency. Mr. Lingerfelt explained that in North Carolina, the Banking Commissioner has responsibility for other financial institutions other than just

banks. He told the Committee that the State Banking Commission has 15 members, including the State Treasurer, eight public members, and six bank members.

Karen Cochrane-Brown, Committee Co-Counsel, presented the Committee with information on Ohio's recent regulatory consolidation, where four regulatory agencies were combined into one financial institutions department, but where some autonomy for each industry was retained by giving the deputy superintendent for each division primary regulatory authority over a particular regulated industry. She also indicated that Ohio was anticipating a cost savings of approximately \$700,000 in the first year of consolidation. Ms. Cochrane-Brown also gave the Committee information that since 1985 two studies have recommended consolidation in North Carolina, but no action was ever taken on bills to consolidate in four separate legislative sessions.

MARCH 15, 1996 MEETING

The third meeting of the Committee took place on March 15, 1996. The Committee heard presentations from the Superintendent of Financial Institutions for the State of Ohio and the Commissioner of Financial Institutions for the State of Virginia. The Committee also heard a presentation from the State Auditor's Office on the ability of that office to conduct a performance audit on the three regulatory agencies to see if any efficiency or savings might be achieved by consolidation.

Walker Reagan, Committee Co-Counsel, pointed out to the Committee that two questions did not seem to have been previously answered in North Carolina when the issue of regulatory agency consolidation was considered. Those issues were whether there could be cross training of staff, primarily examination staff, and whether there would be any cost savings or efficiency from a consolidation of two or three of the regulatory agencies. To address those issues, Mr. Reagan pointed out that both the representatives from Ohio and Virginia could speak to the issue of cross training, the Superintendent from Ohio could speak to cost savings arising from consolidation in Ohio, and the State Auditor could explain what a performance audit in North Carolina could show in terms of cost savings.

Mr. Jimmy C. Benson, Deputy State Auditor, explained how the State Auditor's Office conducted performance audits and what such an audit might tell the Legislature about the effects of any consolidation of any of the regulatory agencies.

After Mr. Benson's presentation, the Committee Co-Chairs asked the State Auditor's Office to conduct a performance audit for the Committee and report back its findings on the effect of consolidation.

Mr. Curtis Stitt, Superintendent of Financial Institutions for the State of Ohio, discussed with the Committee the recent regulatory consolidation that has been put in effect in Ohio. He indicated that the consolidation arose out of a recommendation of a government operations improvement task force, in order to achieve some economies of scale and to eliminate some administrative redundancies. Prior to consolidation, Ohio had four regulatory divisions. Ohio has 142 state chartered banks, 66 state chartered savings and loans, 28 state chartered savings banks, and 335 state chartered credit unions. The total number of financial institutions is almost twice the total number of financial institutions in North Carolina. Ohio's combined regulatory staff is 122 compared to North Carolina's combined staff of 95. Ohio's combined budget for regulation is approximately \$10.1 million, as compared to approximately \$6.1 million in North Carolina.

In Ohio, the initial decision was to combine the regulation of banks, savings and loans, and savings banks, and not to include credit unions because of their strong opposition to consolidation. Towards the end of the legislative process, the credit unions were brought into the process. Part of the compromises in the legislative process included maintaining separate funds for each industry so that the fee structure charged each industry for its regulation would not change. Also the deputy superintendent for each division regulating each separate industry was given primary enforcement and rule making authority. The substantive law governing each industry was not changed. The savings arising from the consolidation came from the elimination of duplication in certain administrative positions in the personnel, public relations, and financial accounting departments, and from the consolidation of certain specialty areas such as electronic data processing examiners and securities examiners. Some efficiencies were also expected to be achieved in cross training of examiners. While the cost savings came from staff reductions, no person was fired in Ohio, but reductions in force were achieved through attrition and early retirement incentives. On the issue of cross training of staff, Mr. Stitt explained that each of their examiners would be cross-trained as a specialist for a particular industry, but they would also be trained to be able to back up in a second industry if needed.

Mr. Stitt stated it was his opinion that consolidation was the right thing for Ohio, that it was a positive move for cost savings and utilization of the pool of examiners. The reduction in force has not resulted in the necessity of increased

overtime nor the inability to get the job done timely. Mr. Stitt stated that only one or two credit unions out of 335 converted their charters to federal charters as a result of the regulatory consolidation. He also stated his opinion that the credit unions have not been harmed in any respect as a result of the consolidation.

The Committee also heard a presentation from Mr. Sidney A. Bailey, Commissioner of Financial Institutions for the Commonwealth of Virginia. Mr. Bailey explained that regulation of financial institutions has always been consolidated in Virginia. His division is part of the independent State Corporation Commission that is a constitutional commission separate from the Executive and Legislative branches. The Commission is governed by a three-member Board that sets policy and hears appeals of all regulatory and administrative decision under its control. There are not separate regulatory boards for each of the regulated industries.

Mr. Bailey explained that Virginia applies the same audit standards to banks, savings institutions, and credit unions. As a result, all but three savings and loan associations converted to federal charters. Examiners are cross-trained between banks and savings institutions, but not with credit unions. His office determined that there are considerable differences between examinations of banks and savings institutions, and credit unions, in the type of risk in loan and investment portfolios. Credit unions are mutual associations and are oriented towards service to its members, not profit-making. While audit standards for credit unions are the same as banks and savings institutions, the process is distinctively different. Mr. Bailey pointed out that credit unions are not examined by the Federal Reserve because credit unions are not members of the Federal Reserve System, having to act through a bank or a credit union bank to use Federal Reserve services. Credit unions are also not regulated by the FDIC because they are insured by a private deposit insurance fund. While examinations can be conducted jointly or in cooperation with federal examinations for banks and savings institutions, this situation does not exist for credit unions.

MARCH 20, 1996 MEETING

The fourth meeting of the Committee was held March 20, 1996. The Committee heard presentations on four non-consolidation issues, including Monument Contractors Licensing, an Interstate Banking technical change bill, a bank holiday bill, and worthless check problems.

Mr. Rex Pope, President of the Monument Contractors of the Carolinas, presented the Committee with a revised draft to House Bill 847 - Monuments Contractors Act, which would provide for licensing of persons who manufacture, sell, or install monuments including cemetery headstones, mausoleums and memorials, as well as public monuments erected at places such as courthouses. Mr. Pope explained that the bill was needed to protect the consuming public from fraudulent sales people and defective products and installations. He explained that licensure would assure minimum training and qualifications for this type of work and would require bond protection against fraud. He said the private marketplace could not take care of this problem because in most situations monument purchases were a once-in-a-lifetime purchase, often made at a time of high emotional stress. Also, the cost to go to court to enforce one's rights usually costs more than the amount involved in the monument. Mr. Pope noted that New Jersey and Florida had similar laws.

Mr. A.C. Joyner, President of the Monument Builders of North America, explained that monument contracting was the only part of the death care business that was not regulated and that many of the same reasons why cemeteries and funeral homes need to be regulated apply to monument contractors. In response to a question, Mr. Joyner stated that the monument contractor might be governed by individual cemetery requirements, but this protection usually did not apply to most unmanaged cemeteries. Mr. Joyner said that about one-third of the monument contractors in North Carolina were members of the North Carolina Monument Contractors Association.

Ms. Darlene Graham, an Assistant Attorney General assigned to the Consumer Protection Division, said that over the past three years, her office has received 21 complaints related to monuments. Of those, seven were complaints against licensed cemeteries, which are regulated by the Cemetery Commission; fourteen were for failure to deliver, of which five were against one dealer; and two were for complaints for wrong information on the monument. Based on the Legislative Licensing Board Assessment Report prepared by the Monument Contractors of the Carolinas, there were approximately 51,101 burials in North Carolina in 1994. Representative Nichols pointed out that during the three-year period in which the Attorney General's office received 21 complaints, 150,000 people would have been buried. He noted that the number of complaints relative to the number of burials was very small.

Mr. Bill Hoke, General Counsel to the Board of Mortuary Sciences that regulates funeral homes, funeral directors, crematories and embalmers, said over the past nine years, the Board has only received about two complaints related to

monuments handled by funeral homes. Mr. Walker Reagan reported on his conversation with William Gladden, Executive Secretary to the North Carolina Cemetery Commission, who indicated that the Cemetery Commission received no more than two complaints a year against cemeteries related to monument problems. The Committee decided to keep the matter open for possible inclusion in its report to the 1996 Short Session but the Committee Co-chair appointed a subcommittee to examine the issue further prior to the next meeting.

Mr. McNeil Chestnut, Assistant Attorney General assigned to the Banking Commission, presented the Committee with a bill draft to make changes to the Interstate Banking act. Mr. Chestnut explained that the bill was necessary to make a technical change to North Carolina's Reciprocal Interstate Banking Act that became necessary by Congress's adoption of the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994, which was enacted subsequent to the enactment of North Carolina's law. Currently under federal law, federally chartered banks owned by the same holding company can act as agents for one another across state lines. Because North Carolina's law is silent on this issue, state chartered bank holding companies with banks in several states would not have the same flexibility as a nationally chartered bank. This bill would grant to state chartered banks the same authority related to the appointment of agents federally chartered banks have under federal law. A motion was adopted to include this bill in the Committee's report to the 1996 Short Session.

Mr. Hal Lingerfelt, Bank Commissioner, presented the Committee with a bill draft to make changes to the State banking holiday law. Mr. Lingerfelt explained that in the past national banks had followed the same holidays applicable to state chartered banks although they were not bound by North Carolina law. Due to changes prompted by the Federal Reserve System to encourage banks to be open when the Federal Reserve System is open, most national banks are electing to recognize the Federal Reserve holidays schedule. Because of differences between federal holidays and North Carolina's statutory bank holidays, state chartered banks will be at a disadvantage when compared to national banks, which will be open for business on days that state chartered banks will have to be closed. The proposed bill would permit state chartered banks to set their own holidays by action of the bank's board of directors. Mr. Lingerfelt pointed out that based on legislation enacted in 1995, except for being required to be closed on specific statutory bank holiday, the law now allows a bank to be open or closed anytime it elects, seven days a week. He pointed out that this bill would allow the bank's board of directors to determine in all cases when the bank would be opened or closed. The practical effect of the bill will likely be that most state

chartered banks will follow the Federal Reserve holiday schedule. A motion was adopted to include this bill in the Committee's report to the 1996 Short Session.

Representative Rick Eddins spoke to the Committee about his increasing concern and problems with customers who write worthless checks. He asked the Committee to consider the issue to see if additional laws could be adopted which might deter this practice. Mr. Walker Reagan presented research on North Carolina law as well as a summary of the laws of other states in this area. He noted that while North Carolina makes it a felony offense to write bad checks for \$2,000 or more, the threshold for a felony is higher in NC than in most other states. Mr. Reagan also noted that as a result of changes made in Structured Sentencing, the previous distinction in punishments for writing bad checks for amounts less than \$100 as compared to checks for more than \$100, has been eliminated so both offenses now carry the same punishment. He also pointed out that the benefits arising from changes made in the civil collection procedures for bad checks during the 1995 Session have not yet been realized.

APRIL 3, 1996 SUBCOMMITTEE MEETING

A meeting of the Monument Contractor Licensing Bill Subcommittee was held April 3, 1996. The Subcommittee heard additional information from representatives of the industry seeking to be represented, cemetery and funeral home industry representatives, and representatives of the Attorney General's Office.

The Subcommittee heard additional information from Mr. Rex Pope, President of the Monument Contractors of the Carolinas, and A.C. Joyner, President of the Monument Contractors of North America, on the needs and benefits of the licensing bill. The Subcommittee reviewed the specific language in the bill draft related to what monuments were to be covered and where enforcement actions should be brought, and agreed on recommended changes. Harriet Worley, Assistant Attorney General assigned to the Consumer Protection Division, reviewed how the bonding requirement under the Prepaid Entertainment Statute worked. The Subcommittee also discussed issues of liability for contract performance and negligence. The Subcommittee explored the effects of the cost of licensing on the consuming public and the criminal penalties for violating the statute. Mr. Jonathan Carr, representing the N.C. Funeral Directors Association, said his organization opposed

the bill because, although they were already licensed, and they would have to be licensed again in order to be able to sell monuments.

After a discussion of the various recommendations the Subcommittee could make to the full Committee on this matter, a motion was adopted recommending that a draft of the Monument Contractors Licensing Bill not be included in the Committee's report to the 1996 Short Session.

APRIL 23, 1996 MEETING

The fifth meeting of the Committee was held April 23, 1996. The Committee reviewed and adopted the report to the 1996 Short Session and agreed to continue consideration of the issue of consolidation of the financial institutions regulatory agencies after receiving the State Auditor's report.

FINDINGS AND RECOMMENDATIONS

FINDING 1:

The Committee finds that it is in the best interest of the consuming public and state chartered banks that the North Carolina Reciprocal Interstate Banking Act be consistent with the federal Reigle-Neal Interstate Banking and Efficiency Act of 1994, and that a subsidiary bank of a bank holding company be allowed to act as an agent of any affiliated depository institution of the bank holding company consistent with the Reigle-Neal Act.

RECOMMENDATION 1:

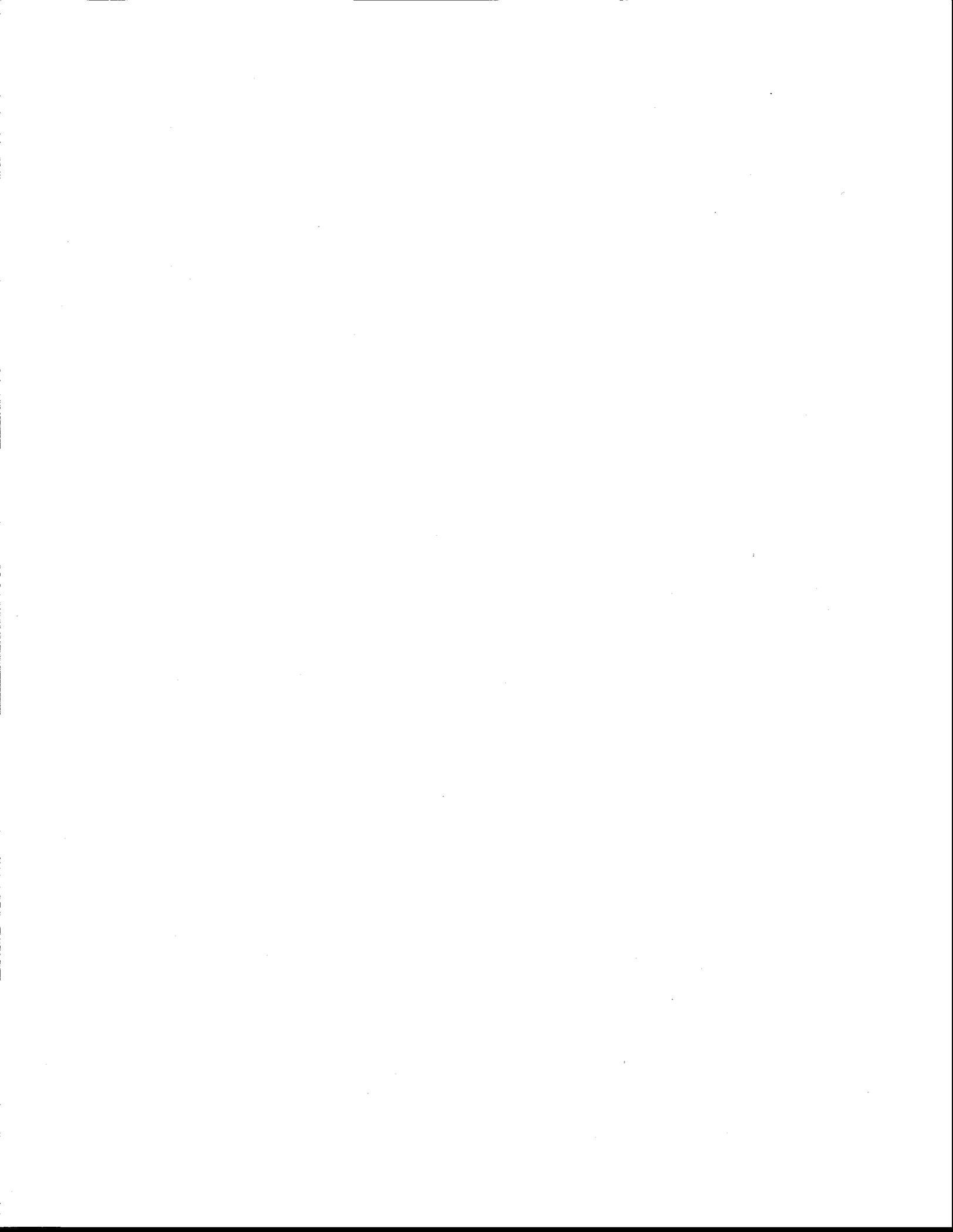
The Committee recommends that the legislation appearing in this report in Appendix C to allow a state chartered bank to act an agent for interstate banking purposes, be recommended to and adopted by the 1995 General Assembly, 1996 Regular Session.

FINDING 2:

The Committee finds that due to banking holidays now being recognized by nationally chartered financial institutions and the Federal Reserve System that differ from the statutory banking holidays applicable to state chartered financial institutions, state chartered institutions are put at a disadvantage when compared to nationally chartered financial institutions. The Committee finds that it is in the best interest of the consuming public and state chartered financial institutions that the statutory list of financial institution holidays be repealed and that state chartered financial institutions be allowed to adopt holidays as determined by the individual institutions' boards of directors.

RECOMMENDATION 2:

The Committee recommends that the legislation appearing in this report in Appendix D which would repeal the statutory list of holidays applicable to state chartered financial institutions and permit the boards of directors of the institutions to establish the institutions' holidays, be recommended to and adopted by the 1995 General Assembly, 1996 Regular Session.



APPENDIX A

CHAPTER 542

AN ACT TO AUTHORIZE STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, TO CREATE AND CONTINUE VARIOUS COMMISSIONS, TO DIRECT STATE AGENCIES AND LEGISLATIVE OVERSIGHT COMMITTEES AND COMMISSIONS TO STUDY SPECIFIED ISSUES, TO MAKE VARIOUS STATUTORY CHANGES, AND TO MAKE TECHNICAL CORRECTIONS TO CHAPTER 507 OF THE 1995 SESSION LAWS.

The General Assembly of North Carolina enacts:

PART I.-----TITLE

Section 1. This act shall be known as "The Studies Act of 1995."

PART II.-----LEGISLATIVE RESEARCH COMMISSION

Sec. 2.1. The Legislative Research Commission may study the topics listed below. When applicable, the 1995 bill or resolution that originally proposed the issue or study and the name of the sponsor is listed. The Commission may consider the original bill or resolution in determining the nature, scope, and aspects of the study. The topics are:

-
(2) Bad check fees (S.B. 876 - Ballance)
-
(4) Consolidation of regulatory agencies of financial institutions (H.B. 839 - Tallent)
-

Sec. 2.8. Committee Membership. For each Legislative Research Commission committee created during the 1995-96 biennium, the cochairs of the Legislative Research Commission shall appoint the committee membership.

Sec. 2.9. Reporting Dates. For each of the topics the Legislative Research Commission decides to study under this act or pursuant to G.S. 120-30.17(1), the Commission may report its findings, together with any recommended legislation, to the 1996 Regular Session of the 1995 General Assembly, if approved by the cochairs, or the 1997 General Assembly, or both.

Sec. 2.10. Bills and Resolution References. The listing of the original bill or resolution in this Part is for reference purposes only and shall not be deemed to have incorporated by reference any of the substantive provisions contained in the original bill or resolution.

Sec. 2.11. Funding. From the funds available to the General Assembly, the Legislative Services Commission may allocate additional monies to fund the work of the Legislative Research Commission....

PART XXVI.-----EFFECTIVE DATE

Sec. 26.1. This act is effective upon ratification.



APPENDIX A

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

H

2

HOUSE BILL 839
Committee Substitute Favorable 5/17/95

Short Title: Study Consolid. Fin Inst. Regulation.

(Public)

Sponsors:

Referred to:

April 12, 1995

A BILL TO BE ENTITLED

1
2 **AN ACT TO AUTHORIZE THE LEGISLATIVE RESEARCH COMMISSION TO**
3 **STUDY THE ADVISABILITY AND FEASIBILITY OF CONSOLIDATING THE**
4 **STATE REGULATION OF FINANCIAL INSTITUTIONS INTO A SINGLE**
5 **AGENCY.**

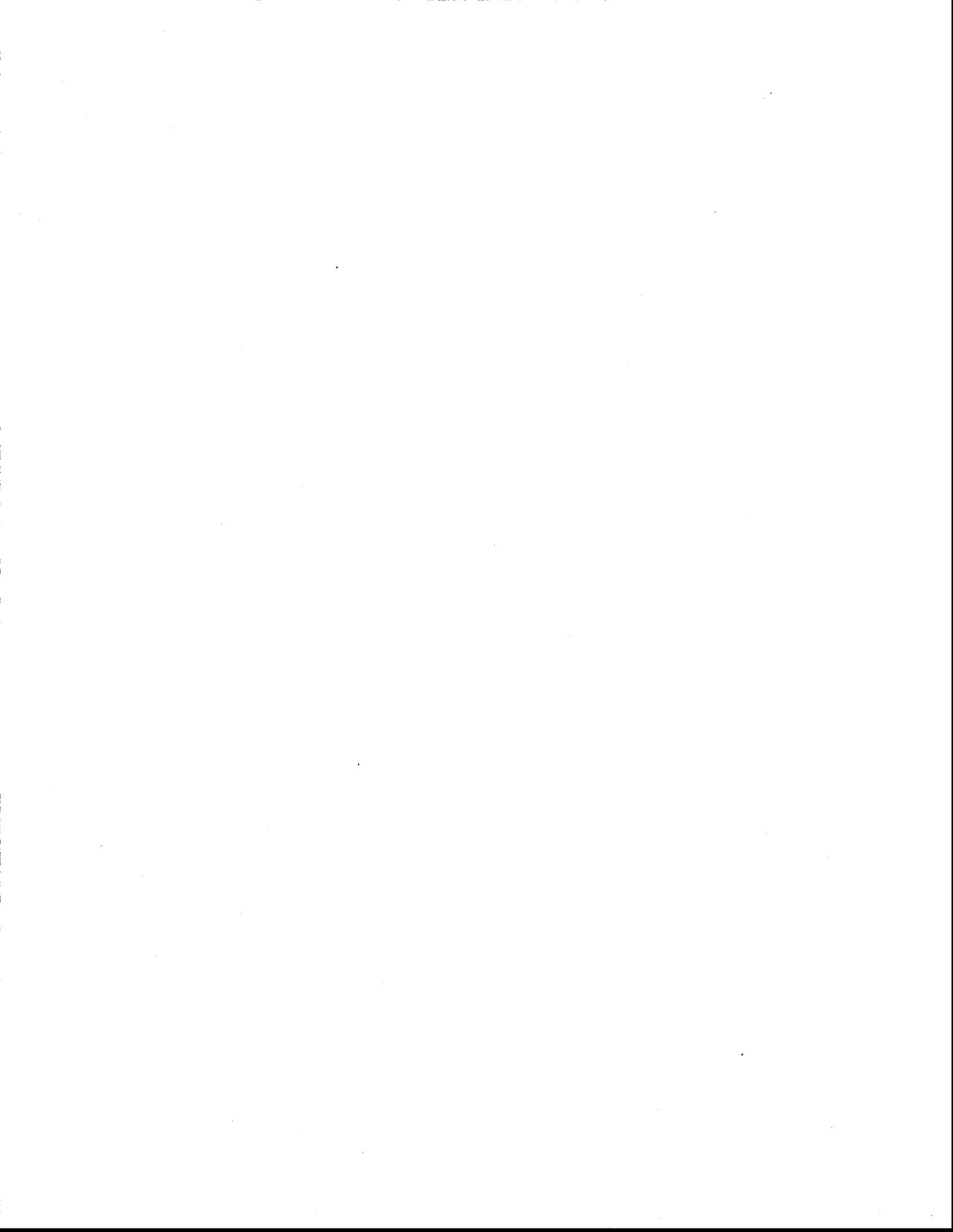
6 The General Assembly of North Carolina enacts:

7 Section 1. The Legislative Research Commission is authorized to study the
8 advisability and feasibility of consolidating into a single agency the State regulation of
9 all financial institutions. If undertaken, the study shall include, but not be limited to,
10 an examination of:

- 11 (1) The anticipated cost savings, benefits, and problems, if any, to the
12 State and to the regulated industries afforded by such a reorganization;
13 (2) The effect of such a reorganization on the coordination of State
14 regulatory efforts with the existing federal regulatory framework; and
15 (3) The impact of the proposed consolidation on the adequate supervision
16 of these institutions to protect not only the institutions' depositors but
17 also all segments of the borrowing public.

18 If the study is undertaken, input shall be obtained from the Commissioner of
19 Banks, the Administrator of Savings Institutions, and the Administrator of Credit
20 Unions as well as the industries regulated by them.

21 Sec. 2. The Legislative Research Commission, if it undertakes this study,
22 may report to the 1996 Regular Session of the 1995 General Assembly or to the 1997
23 General Assembly, or both.



**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1995**

H

2

**HOUSE BILL 847
Committee Substitute Favorable 5/25/95**

Short Title: Monument Contractors Act.

(Public)

Sponsors:

Referred to:

April 12, 1995

A BILL TO BE ENTITLED

1
2 **AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO**
3 **STUDY THE REGULATION OF MONUMENT CONTRACTORS.**

4 Whereas, monuments are often placed or erected in public places for the
5 purpose of designating where a body is interred or of preserving and perpetuating the
6 memory and name of persons; and

7 Whereas, those in the business of manufacturing, selling, erecting, installing,
8 repairing, cleaning, and moving monuments are not regulated by the State; and

9 Whereas, the use of inferior products and the improper installation of
10 monuments in public places jeopardizes the safety and health of the public; and

11 Whereas, there is a risk that monument manufacturers or those in the
12 business of selling monuments could sell inferior products to the unsuspecting, often
13 elderly, public consumer; Now, therefore,

14 The General Assembly of North Carolina enacts:

15 Section 1. The Legislative Research Commission may study:

16 (1) The need for the regulation of those persons in the business of
17 manufacturing, selling, erecting, installing, repairing, cleaning, and
18 moving monuments to protect the public from unsafe and defective
19 monuments and from consumer fraud;

20 (2) The efficient and effective delivery of monument contracting services;

21 (3) The cost-effectiveness of regulating monument contractors; and

22 (4) Any other matters related to monument contractors and their impact
23 on the safety and well-being of the public.

1 Sec. 2. The Legislative Research Commission may make an interim report
2 of the results of the study, including legislative recommendations, to the 1996 Regular
3 Session of the 1995 General Assembly, and shall make a final report to the 1997
4 General Assembly.

5 Sec. 3. There is appropriated from the General Fund to the Legislative
6 Research Commission the sum of fifteen thousand dollars (\$15,000) for the 1995-96
7 fiscal year and the sum of fifteen thousand dollars (\$15,000) for the 1996-97 fiscal year
8 to implement this act.

9 Sec. 4. This act becomes effective July 1, 1995.

APPENDIX A

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

S

2

SENATE BILL 876
Judiciary II/Election Laws Committee Substitute Adopted 6/22/95

Short Title: LRC Study/Bad Check Fees to Schools.

(Public)

Sponsors:

Referred to: Appropriations

May 1, 1995

A BILL TO BE ENTITLED

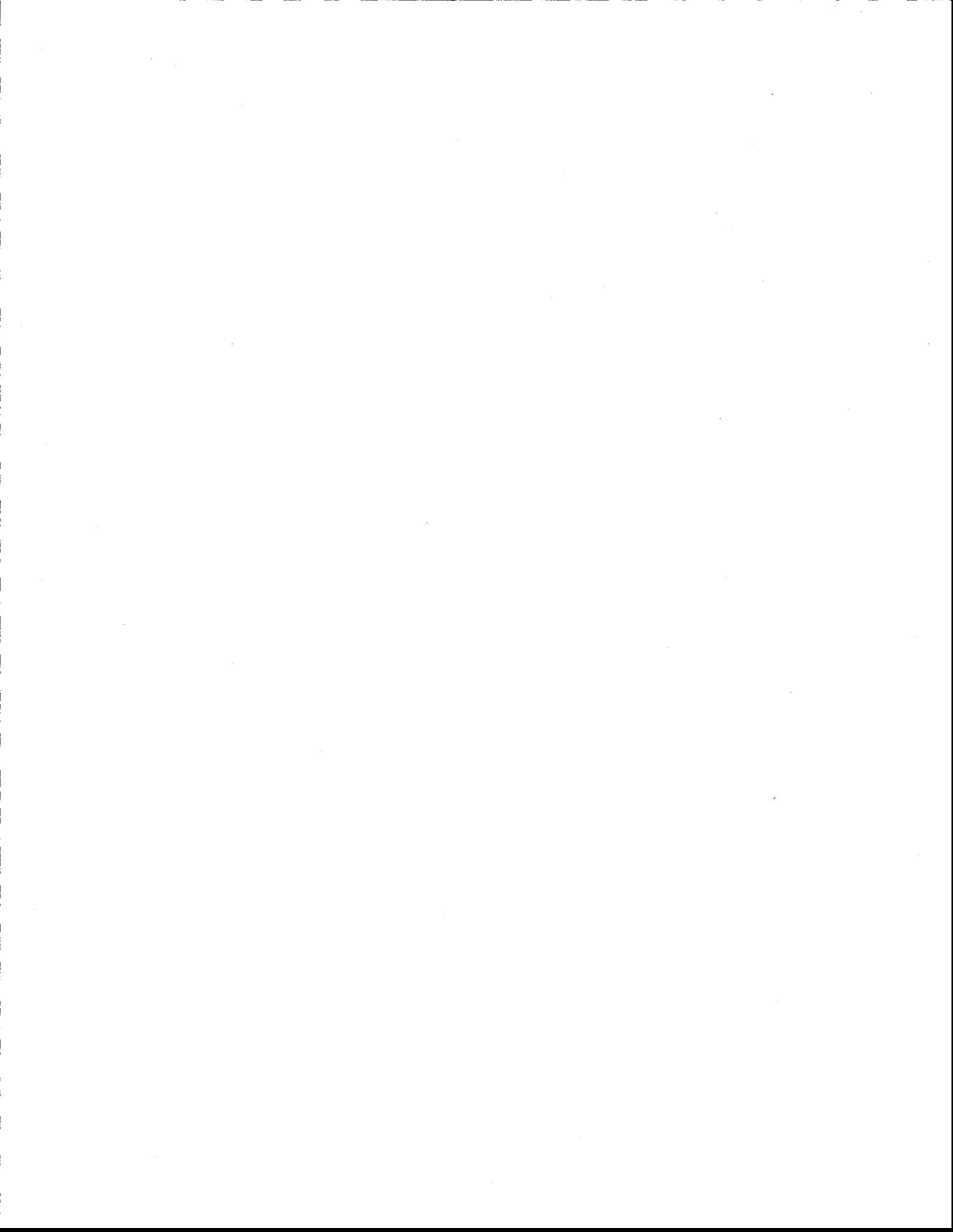
1
2 **AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO**
3 **STUDY THE MAXIMUM FEES THAT MAY BE CHARGED BY FINANCIAL**
4 **INSTITUTIONS AND MERCHANTS FOR RETURNED CHECKS, AND TO**
5 **STUDY WHETHER A PORTION OF THOSE FEES SHOULD BE USED FOR**
6 **PUBLIC SCHOOL BUILDING CAPITAL COSTS.**

7 The General Assembly of North Carolina enacts:

8 Section 1. The Legislative Research Commission is authorized to study the
9 amount a financial institution may charge and collect as a processing fee for each check
10 or negotiable order of withdrawal draft drawn on that bank with respect to an account
11 with insufficient funds. The Commission may study the feasibility of a distribution of
12 the net proceeds of the fee to the counties on a per capita basis, and whether counties
13 may use such proceeds for public school capital outlay purposes or to retire any
14 indebtedness incurred by the county for those purposes.

15 Sec. 2. The Commission may make an interim report, including any
16 legislative proposals, to the 1995 General Assembly, Regular Session 1996, and a final
17 report, including any legislative proposals, to the 1997 General Assembly.

18 Sec. 3. This act is effective upon ratification.



**FINANCIAL INSTITUTIONS ISSUES COMMITTEE
MEMBERSHIP
1995 - 1996**

LRC Member: Rep. Jerry Dockham
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Denton, NC 27239
(704) 869-3804

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Sen. J. Richard Conder
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Mr. J.K. Long
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Ms. Connie Richardson
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Staff:

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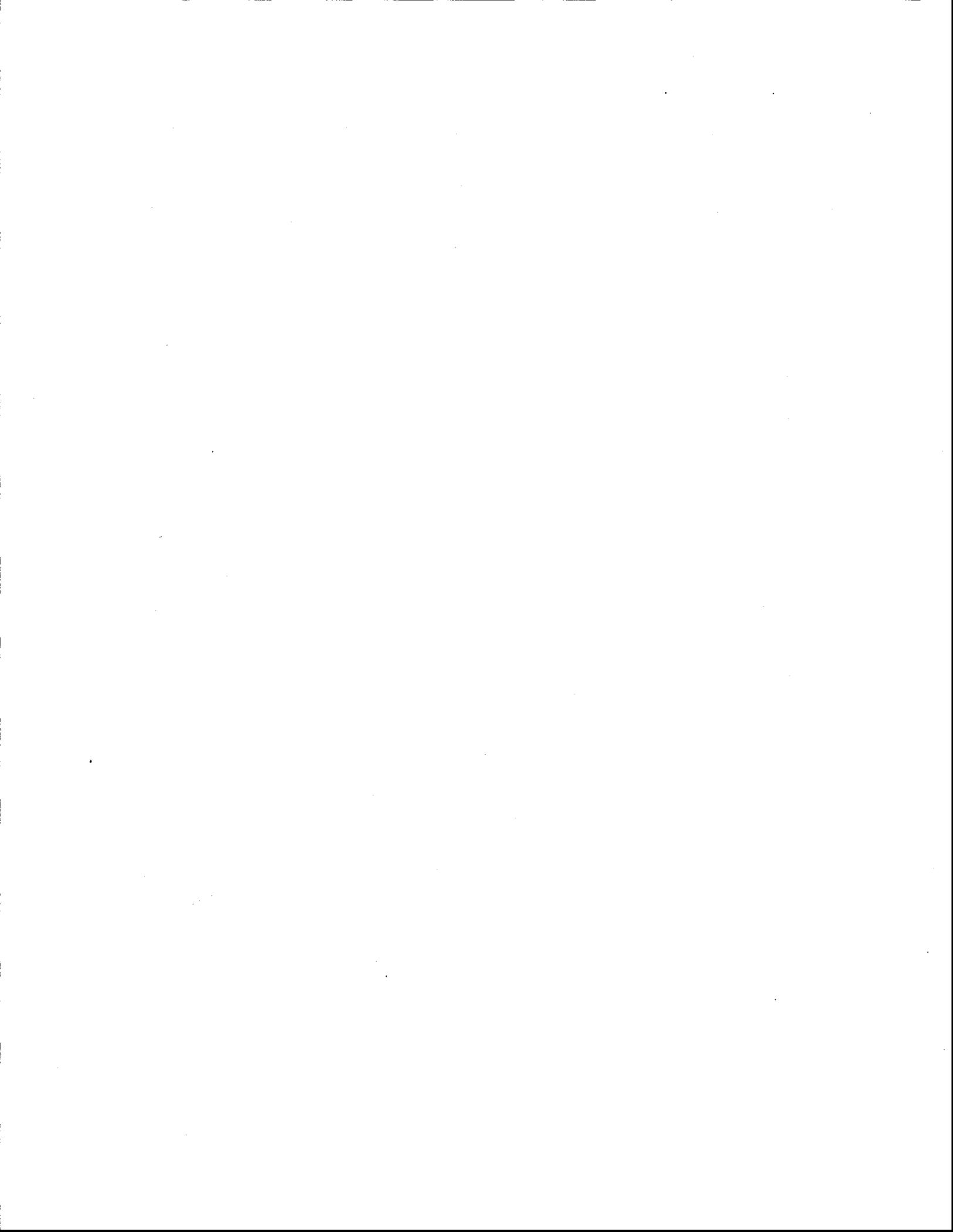
Rep. William E. McMahan
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Rep. John M. Nichols
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Rep. Liston B. Ramsey
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(704) 649-3961

Clerk:

Ms. J.J. Bulluck
(919) 733-5934



APPENDIX C

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

S/H

D

96-RUZ-006.1

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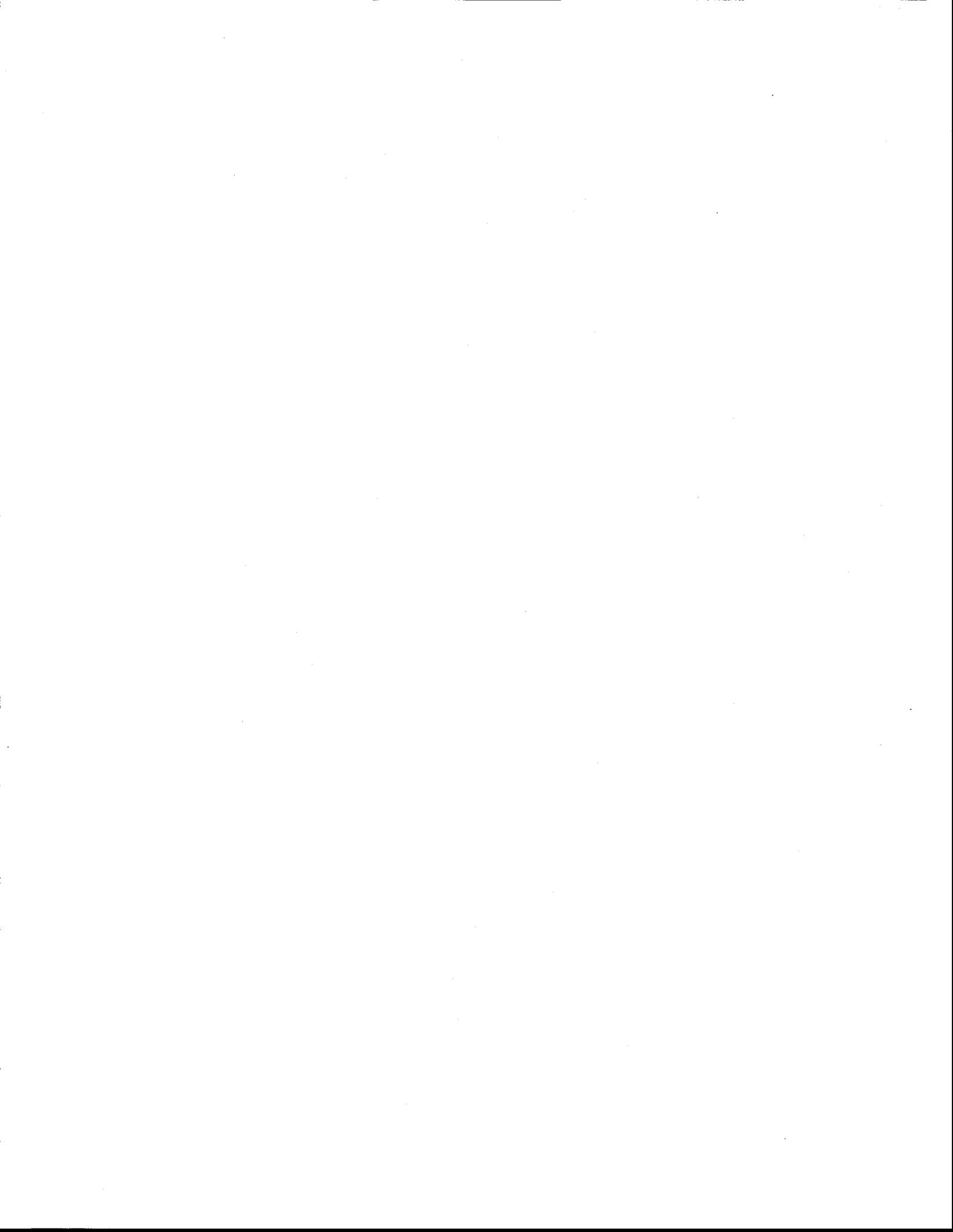
Short Title: Amend Interstate Banking Act

(Public)

Sponsors: LRC's Financial Institutions Issues Study Committee

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPLEMENT A RECOMMENDATION OF THE LRC'S FINANCIAL
3 INSTITUTIONS ISSUES COMMITTEE TO AMEND THE NORTH CAROLINA
4 RECIPROCAL INTERSTATE BANKING ACT.
5 The General Assembly of North Carolina enacts:
6 Section 1. Article 17 of Chapter 53 of the General
7 Statutes is amended by adding a new section to read:
8 "§53-212.1. Bank agent for deposit institution affiliate.
9 A bank that is a subsidiary of a bank holding company may act
10 as the agent of any depository institution affiliate in receiving
11 deposits, renewing time deposits, closing loans, servicing loans,
12 and receiving payments on loans and other obligations, without
13 being deemed a branch of such affiliate, in accordance with
14 Section 101(d) of the Reigle-Neal Interstate Banking and
15 Branching Efficiency Act of 1994."
16 Sec. 2. This act is effective upon ratification.

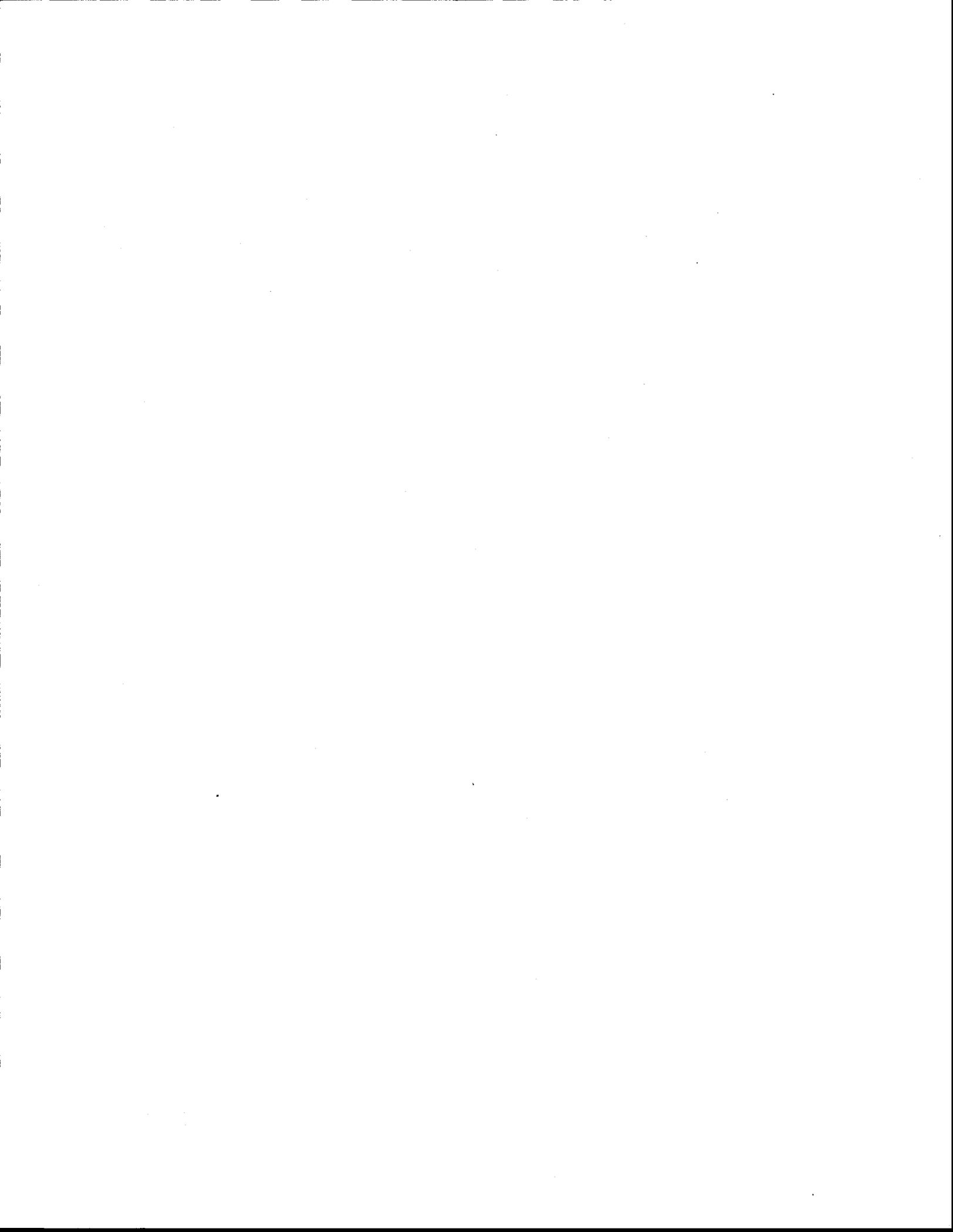


SECTION BY SECTION ANALYSIS OF

AN ACT TO IMPLEMENT A RECOMMENDATION OF THE LRC'S FINANCIAL INSTITUTIONS ISSUES COMMITTEE TO AMEND THE NORTH CAROLINA RECIPROCAL INTERSTATE BANKING ACT.

Section 1 of the proposed bill would add a new section to the Reciprocal Intrastate Banking Act to clarify that state chartered banks organized under North Carolina law, which are subsidiaries of bank holding companies, may act as an agent for other banks affiliated with the bank holding company for the purpose of receiving deposits, renewing time deposits, closing and servicing loans, and receiving payments on other obligations, without becoming a branch of the affiliate bank, to the same extent that national banks are permitted to act as agents under the Reigle-Neal Interstate Banking Act.

Section 2 of the proposed bill makes the bill effective upon ratification.



APPENDIX D

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

S/H

D

96-RUZ-007.1

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Short Title: Fin. Inst. Holiday Amended

(Public)

Sponsors: LRC's Financial Institutions Issues Study Committee

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPLEMENT A RECOMMENDATION OF THE LRC'S FINANCIAL
3 INSTITUTIONS ISSUES COMMITTEE TO AUTHORIZE STATE CHARTERED
4 BANKS, SAVINGS AND LOAN ASSOCIATIONS, AND SAVINGS BANKS, TO
5 OBSERVE HOLIDAYS AS DETERMINED BY THEIR BOARDS OF DIRECTORS.
6 The General Assembly of North Carolina enacts:
7 Section 1. G.S. 53-77.2A is repealed.
8 Sec. 2. G.S. 53-77.1A reads as rewritten:
9 "§ 53-77.1A. Days and hours of operation.
10 ~~Except as provided in G.S. 53-77.2A, a~~ A bank as defined in
11 G.S. 53-1 or G.S. 53-136, ~~including national banking associations~~
12 ~~and federal reserve banks,~~ or any branch or limited service
13 facility ~~of the foregoing~~ thereof located in this State, may
14 operate on such days and during such ~~hours~~ hours, and may observe
15 such holidays, as the bank's board of directors shall designate."
16 Sec. 3. G.S. 54B-110 reads as rewritten:
17 "§ 54B-110. Holidays. Days and hours of operation.
18 ~~(a) Each State and federal association, including every branch~~
19 ~~or office thereof, domiciled in North Carolina shall observe the~~
20 ~~following as legal holidays and shall not open for the~~
21 ~~transaction of business with the public on those days:~~
22 (1) ~~New Year's Day, January 1;~~
23 (2) ~~Monday, January 2, when January 1 (New Year's Day)~~
24 ~~falls on Sunday;~~

- 1 ~~(3) Monday, January 3, when January 1 (New Year's Day)~~
 2 ~~falls on a Saturday;~~
 3 ~~(4) President's Day, the third Monday in February;~~
 4 ~~(5) Good Friday;~~
 5 ~~(6) Memorial Day, the last Monday in May;~~
 6 ~~(7) Independence Day, July 4;~~
 7 ~~(8) Monday, July 5, when July 4 (Independence Day)~~
 8 ~~falls on a Sunday;~~
 9 ~~(9) Friday, July 3, when July 4 (Independence Day)~~
 10 ~~falls on a Saturday;~~
 11 ~~(10) Labor Day, the first Monday in September;~~
 12 ~~(11) Thanksgiving Day, the fourth Thursday in November;~~
 13 ~~(12) Christmas Day, December 25;~~
 14 ~~(13) Monday, December 26, when December 25 (Christmas~~
 15 ~~Day) falls on a Sunday;~~
 16 ~~(14) Monday, December 27, when December 25 (Christmas~~
 17 ~~Day) falls on a Saturday.~~

18 ~~(b) Any association may, in addition to the holidays listed~~
 19 ~~above, observe as a holiday any other day designated as a holiday~~
 20 ~~by the association's Board of Directors, may operate on such days~~
 21 ~~and during such hours, and may observe such holidays, as the~~
 22 ~~association's board of directors shall designate."~~

23 Sec. 4. G.S. 54C-175 reads as rewritten:

24 "§ 54C-175. Holidays. Days and hours of operation.

25 ~~(a) Each State and federal savings bank, including every~~
 26 ~~branch or office thereof, domiciled in North Carolina shall~~
 27 ~~observe the following as legal holidays and shall not open for~~
 28 ~~the transaction of business with the public on those days:~~

- 29 ~~(1) New Year's Day, January 1;~~
 30 ~~(2) Monday, January 2, when January 1, New Year's Day,~~
 31 ~~falls on Sunday;~~
 32 ~~(3) Monday, January 3, when January 1, New Year's Day,~~
 33 ~~falls on a Saturday;~~
 34 ~~(4) President's Day, the third Monday in February;~~
 35 ~~(5) Good Friday;~~
 36 ~~(6) Memorial Day, the last Monday in May;~~
 37 ~~(7) Independence Day, July 4;~~
 38 ~~(8) Monday, July 5, when July 4, Independence Day,~~
 39 ~~falls on a Sunday;~~
 40 ~~(9) Friday, July 3, when July 4, Independence Day,~~
 41 ~~falls on a Saturday;~~
 42 ~~(10) Labor Day, the first Monday in September;~~
 43 ~~(11) Thanksgiving Day, the fourth Thursday in November;~~
 44 ~~(12) Christmas Day, December 25;~~

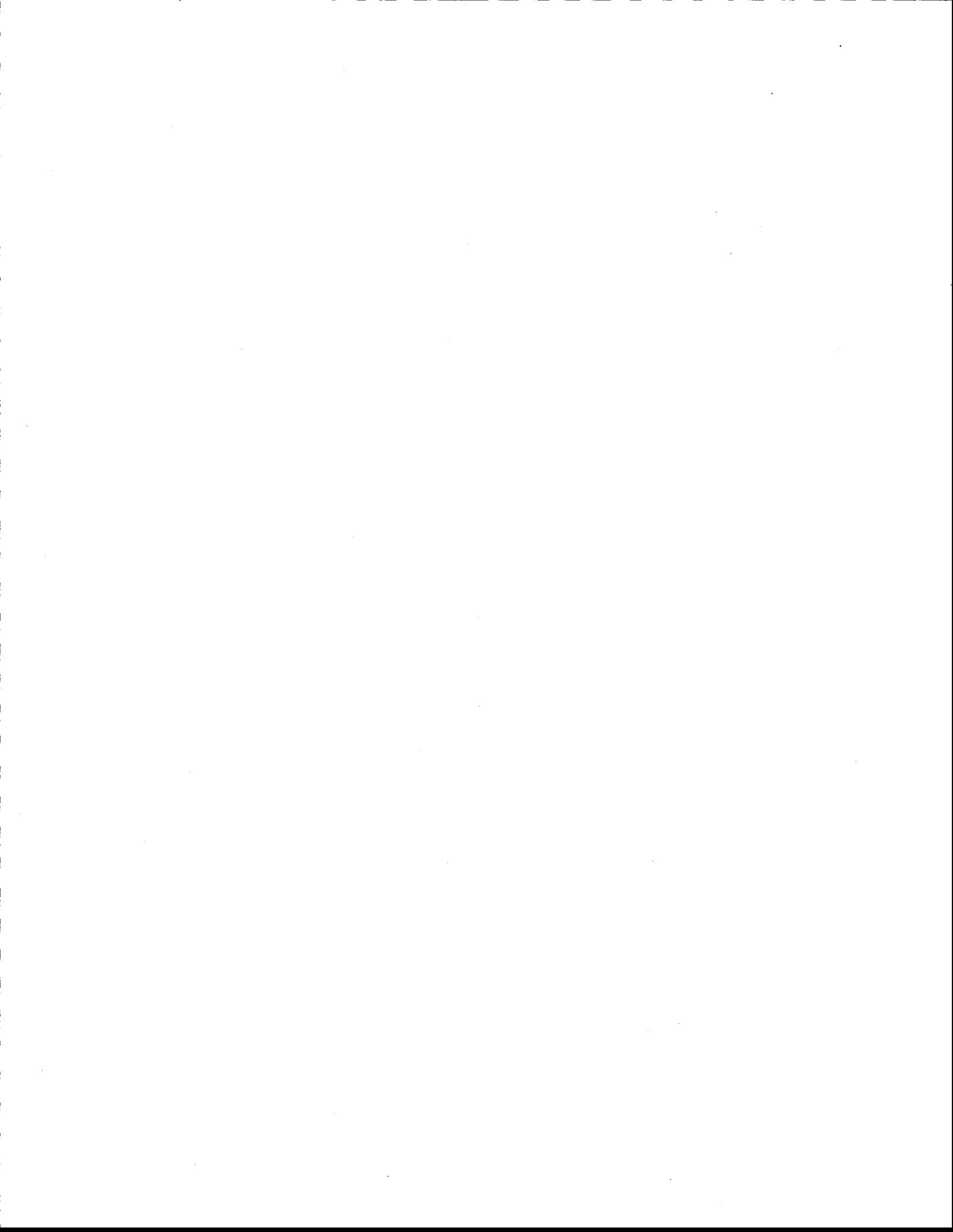
1 ~~(13) Monday, December 26, when December 25, Christmas~~
2 ~~Day, falls on a Sunday;~~

3 ~~(14) Monday, December 27, when December 25, Christmas~~
4 ~~Day, falls on a Saturday.~~

5 ~~(b) A savings bank may, in addition to the holidays listed in~~
6 ~~subsection (a) of this section, observe as a holiday any other~~
7 ~~day designated as a holiday by the savings bank's board of~~
8 ~~directors. may operate on such days and during such hours, and~~
9 ~~may observe such holidays, as the savings bank's board of~~
10 ~~directors shall designate."~~

11 Sec. 5. This act becomes effective September 1, 1996.

12



SECTION BY SECTION ANALYSIS OF

AN ACT TO IMPLEMENT A RECOMMENDATION OF THE LRC'S FINANCIAL INSTITUTIONS ISSUES COMMITTEE TO AUTHORIZE STATE CHARTERED BANKS, SAVINGS AND LOAN ASSOCIATIONS, AND SAVINGS BANKS, TO OBSERVE HOLIDAYS AS DETERMINED BY THEIR BOARDS OF DIRECTORS.

Section 1 of the proposed bill would repeal G.S. 53-77.2A that requires banks to observe holidays as set forth in this section.

Section 2 rewrites G.S. 53-77.1A that currently provides that banks may operate on such days and during such hours as the board of directors shall designate. As rewritten, the section removes references to national banks and federal reserve banks that are governed by federal law, not state law, and provides that a state chartered bank may observe such holidays as its board of directors designate.

Section 3 rewrites G.S. 54B-110 that currently requires savings and loan associations to observe holidays as set forth in this section. As rewritten, in order to be consistent with similar provisions applicable to banks in Chapter 53, this section provides that a state chartered savings and loan association may continue to operate on such days and during such hours, and to observe such holidays, as its board of directors designate.

Section 4 rewrites G.S. 54C-175 that currently requires savings banks to observe holidays as set forth in this section. As rewritten, in order to be consistent with similar provisions applicable to banks in Chapter 53, this section provides that a state chartered savings bank may continue to operate on such days and during such hours, and to observe such holidays, as its board of directors designate.

Section 5 makes the bill effective on September 1, 1996, which gives boards of directors time to act between the current statutory holidays of July 4th and Labor Day.